

Corporate Tax Planning

Course Description & Study Guide

Course description and objectives: This course examines and explains the practical aspects of using the closely held corporation to maximize after-tax return on business operations. Recent developments giving corporations a competitive edge over other entities are explored and detailed. Practitioners are alerted to often missed fringe benefits, retirement planning opportunities, corporate business deductions, income splitting possibilities and little known estate planning techniques. The program covers step-by-step tax procedures to form, operate, and ultimately dispose of a closely held corporation. Distinctions between S and C corporations will be unraveled and guidelines for client direction given.

Completion Deadline & Exam: This course, including the examination, must be completed within one year of the date of purchase. In addition, unless otherwise indicated, no correct or incorrect feedback for any exam question will be provided.

Course Level: Overview. This program is appropriate for professionals at all organizational levels.

Field of Study: Taxes

Prerequisite: General understanding of federal income taxation.

Advanced Preparation: None

Learning Assignments & Learning Objectives

As a result of studying each assignment, you should be able to meet the objectives listed below each assignment.

ASSIGNMENT	SUBJECT
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Chapter 1	Business Forms & Characteristics
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At the start of Chapter 1, participants should identify the following topics for study:

- * Sole proprietorships
- * Partnerships
- * Estates & trusts
- * Unincorporated associations
- * Corporation defined
- * Subchapter S corporations
- * Ordinary “C” corporations
- * Personal service corporations
- * Corporate tax rates
- * Alternative minimum tax

Learning Objectives

After reading Chapter 1, participants will be able to:

1. Specify the advantages and disadvantages of sole proprietorships including self-employed taxes and payment requirements and identify the characterization of sole proprietorship assets upon disposition.
2. Recognize partnerships noting their advantages and disadvantages, identify partnership taxation particularly the application of the passive loss (§469) and at-risk rules (§465), and determine correct partnership income or loss reporting noting husband and wife partnerships and limited partnerships.
3. Identify the reporting requirements of estates, trusts and unincorporated associations, determine what constitutes a “corporation” from a subchapter S or regular corporation, specify the characteristics of a personal service corporation noting the alternative minimum tax for such corporations, and identify preferences and adjustments that apply to different types of taxpayers.

After studying the materials in Chapter 1, answer the exam questions 1 to 12.

ASSIGNMENT	SUBJECT
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Chapter 2	Corporate Formation & Capitalization
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At the start of Chapter 2, participants should identify the following topics for study:

- * Incorporation
- * Start-up & organizational expenses
- * Tax recognition of the corporate entity
- * Capital gains & losses
- * Dividends received deduction
- * Charitable contributions
- * Accumulated earnings tax trap
- * Accounting periods & methods
- * Inventories
- * Multiple corporations

Learning Objectives

After reading Chapter 2, participants will be able to:

1. Identify the transfer of money, property or both by prospective shareholders and the basic requirements associated with §351.
2. Recognize the requirements of §1244 and the small business stock exclusion, determine the differences between start-up and organizational expenses and, identify the elements of corporate tax recognition including the dangers of corporate ownership and capital gains and losses noting dividends received treatment.
3. Specify the requirements for corporate charitable contributions, identify former §341 collapsible corporations, and determine how to avoid §541 status particularly as to personal service contracts.
4. Identify §531 status and determine accounting periods and methods available to corporations.
5. Specify methods for identifying inventory items including common methods of valuing inventory and, identify multiple corporation tax advantages, and the tax consequences of corporate liquidations and distributions.

After studying the materials in Chapter 2, answer the exam questions 13 to 29.

ASSIGNMENT

SUBJECT

Chapter 3

Corporate Principals & Employees

At the start of Chapter 3, participants should identify the following topics for study:

- * Payroll taxes
- * FICA & FUTA
- * Employee labor laws

- * Employee v. contractor status
- * Unreasonable compensation
- * Income splitting
- * Buy sell agreements
- * Entity & cross purchase agreements
- * Sole shareholder planning
- * Recapitalization

Learning Objectives

After reading Chapter 3, participants will be able to:

1. Determine payroll taxes noting the uses of Form 941, Form W-4, Form W-2, and Form W-3, specify the application of FICA and FUTA taxes and how to report them, and identify major employee labor laws.
2. Recognize common-law rules used to determine employee status for FICA and federal income tax withholding, specify the dangers of unreasonable compensation noting how to avoid them, and determine how a corporation can be a valuable income-splitting device.
3. Identify a buy-sell agreement distinguishing an entity purchase from a cross purchase agreement and recognize business recapitalizations and their potential uses.

After studying the materials in Chapter 3, answer the exam questions 30 to 39.

ASSIGNMENT	SUBJECT
Chapter 4	Basic Fringe Benefits

At the start of Chapter 4, participants should identify the following topics for study:

- * Statutory v. nonstatutory benefits
- * No-additional-cost services & qualified employee discounts
- * Working condition fringes
- * Employee achievement awards
- * Dependent care assistance
- * Cafeteria plans
- * Self-insured medical reimbursement plans
- * Employer provided automobile
- * Interest-free & below-market loans
- * Fringe benefit plans for S corporations

Learning Objectives

After reading Chapter 4, participants will be able to:

1. Identify basic fringe benefit planning by determining “income” under §61 and specifying the differences between former nonstatutory and current statutory fringe benefits.
2. Determine “no-additional-cost services” and identify what property or services are excludable from income as qualified employee discounts under §132(c), specify exceptions to working condition fringes and de minimis fringes, recognize a §74 “employee achievement award,” and cite the §79 group term life insurance rules.
3. Recognize the requirements and limits of §129 dependent care assistance, identify §125 “cafeteria plans” noting how they function, specify the §119 meals and lodging exclusion, cite the mechanics of §105 self-insured medical reimbursement plans, and determine the requirements and limits of §127 programs.
4. Identify employer-provided automobiles valuation methods, determine what constitutes interest-free and below-market loans, specify the requirements and limitations of fringe benefits under §§217, 132, 67 212, 132(h)(5) and 280A, cite S corporation fringe benefits, and specify ERISA compliance requirements.

After studying the materials in Chapter 4, answer the exam questions 40 to 48.

ASSIGNMENT	SUBJECT
Chapter 5	Business Entertainment

At the start of Chapter 5, participants should identify the following topics for study:

- * Tests for entertainment expenses
- * Statutory exceptions
- * Quiet business meals & drinks
- * Ticket purchases
- * Percentage reduction for meals & entertainment
- * Entertainment facilities
- * Substantiation & record keeping
- * Employee expense reimbursement & reporting
- * Self-employed persons
- * Employers

Learning Objectives

After reading Chapter 5, participants will be able to:

1. Recognize the key tax terms “entertainment”, “lavish” and “extravagant” and, identify the required §162 & §274 tests noting the importance of statutory exceptions.

2. Determine the treatment of ticket purchases including the percentage reduction restriction for meals and entertainment, specify the application of the 2% deduction limit particularly as to business entertainment deductions and determine an “entertainment facility” noting deductible costs.

3. Identify substantiation, recordkeeping, reimbursement, and reporting requirements noting variations in methods and determine how to itemize non-reimbursed employee expenses and specify the special reporting rules for self-employed persons and employers.

After studying the materials in Chapter 5, answer the exam questions 49 to 58.

ASSIGNMENT	SUBJECT
Chapter 6	Insurance

At the start of Chapter 6, participants should identify the following topics for study:

- * Company paid insurance
- * Group term life insurance
- * Regulations
- * Retired lives reserve
- * Split dollar life insurance
- * Medical & dental insurance & disability income insurance
- * Interest limitation on policy loans
- * Key person life insurance
- * COBRA
- * VEBA's - §501(c)(9) Trusts

Learning Objectives

After reading Chapter 6, participants will be able to:

1. Recognize the importance and variety of business insurance by:
 - a. Identifying the popularity and application of business life insurance plans noting common coverage and premiums;
 - b. Determining corporate uses for life insurance including estate, travel and accident uses and specifying the tax treatment, reporting requirements, and discrimination rules for business insurance particularly the §79 requirements for group insurance;
 - c. Identifying the benefit of not needing a medical examination as a prerequisite to purchasing a plan;
 - d. Recognizing retired lives reserve and split-dollar life insurance noting their mechanics, taxation regulation, and advantages and disadvantages;

- e. Specifying the mechanics of employer paid health, medical and disability income insurance including the impact of medical examination requirements.
2. Identify the impact of the disallowance of the interest deduction on purchasers and the insurance industry noting the §264 interest limitation on policy loans, specify the benefit of corporate key person life insurance, cite the requirements of COBRA, and determine what constitutes a Voluntary Employee Benefit Association under §501(c)(9).

After studying the materials in Chapter 6, answer the exam questions 59 to 67.

ASSIGNMENT Chapter 7	SUBJECT Retirement Plans
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At the start of Chapter 7, participants should identify the following topics for study:

- * Qualified deferred compensation
- * Basic requirements of a qualified pension plan
- * Basic types of corporate plans
- * Types of defined contribution plans
- * Self-employed plans - Keogh
- * Distribution & settlement options of IRAs
- * Tax-free rollovers for IRAs
- * Roth IRAs
- * Simplified employee pension plans (SEPs)
- * SIMPLE Plans

Learning Objectives

After reading Chapter 7, participants will be able to:

1. Identify nonqualified and qualified deferred compensation plans noting their benefits and contributions limits and recall the current and deferred advantages and disadvantages of corporate plans including fiduciary responsibilities and prohibited transactions.
2. Specify the requirements of three basic forms of qualified pension plans.
3. Determine the differences between defined contribution and defined benefit retirement plans and specify five types of defined contribution plans noting their impact on retirement benefits.
4. Recognize self-employed plans from qualified plans for other business types and owners.

5. Identify the requirements of IRAs, SEPs, and SIMPLEs, and define tax-free Roth IRA distributions noting strategies to maximize plan benefits.

After studying the materials in Chapter 7, answer the exam questions 68 to 90.

ASSIGNMENT

SUBJECT

Chapter 8

Nonqualified Deferred Compensation

At the start of Chapter 8, participants should identify the following topics for study:

- * Postponement of income
- * Purposes & benefits
- * Constructive receipt
- * Economic benefit
- * Funded company account plan
- * Segregated asset plan
- * Tax consequences
- * Accounting
- * Estate planning considerations
- * Withholding, Social Security & IRAs

Learning Objectives

After reading Chapter 8, participants will be able to:

1. Recognize the postponement of income with a nonqualified plan by:
 - a. Identifying nonqualified plan advantages including ways to design the plans and specifying the IRS's position on such arrangements noting the impact of constructive receipt and economic benefit concepts;
 - b. Specifying deferred compensation patterns set forth in R.R. 60-31 noting the taxability of each; and
 - c. Determining unfunded and funded plans noting the use of company assets or bookkeeping accounts to avoid employee taxation.
2. Identify the set up of a segregated asset plan where the account is not subject to the claims of the employer's creditors and still avoids employee taxation and specify the tax consequences of establishing a nonqualified plan.

After studying the materials in Chapter 8, answer the exam questions 91 to 99.

ASSIGNMENT

SUBJECT

Chapter 9

S Corporations

At the start of Chapter 9, participants should identify the following topics for study:

- * Advantages & disadvantages
- * S corporation status
- * Termination
- * Income & expense
- * Built-in gain
- * Passive income
- * Basis of stocks & debts
- * Distributions
- * Form 1120S
- * Fringe benefits

Learning Objectives

After reading Chapter 9, participants will be able to:

1. Determine what constitutes a S corporation and specify the advantages and list disadvantages associated with them.
2. Identify variables that impact whether a business can choose S corporation status.
3. Cite ways an S corporation may be terminated noting related procedures to be followed.
4. Recognize the taxation and fringe benefits of S corporations as compared to other entity formats by:
 - a. Determining the tax treatment of S corporation income and expenses, pass-through items, built-in gain, passive income, tax preference items, LIFO recapture tax and capital gains tax and their impact on the taxation of S corporations; and
 - b. Identifying the benefits available to other entity formats, determining S corporation owner compensation and distribution options noting reasonable compensation requirements, related party rules, S corporation distribution taxation, tax year choices, fringe benefits, and specifying when the Form 1120S must be filed.

After studying the materials in Chapter 9, answer the exam questions 100 to 119.

ASSIGNMENT

SUBJECT

Chapter 10

Business Dispositions & Reorganizations

At the start of Chapter 10, participants should identify the following topics for study:

- * Starting a new business
- * Buying an existing business

- * Type 1 thru 7 reorganizations
- * Carryover of corporate tax attributes

Learning Objectives

After reading Chapter 10, participants will be able to:

1. Recognize various business disposition and reorganization possibilities by:
 - a. Determining how organizational costs, start-up costs and syndication costs are incurred and specifying what expenditures they include and how they are treated;
 - b. Identifying advantages of purchasing an existing business over starting a new business, citing ways to find a business that is for sale, and specifying the tax considerations of such an acquisition;
 - c. Specifying a reorganization under §368(a)(1) noting the types of transactions that qualify as non-taxable reorganizations; and
 - d. Identifying the factors that determine the corporate tax attributes of an acquired corporation that carry over to the acquiring or successor corporation.

After studying the materials in Chapter 10, answer the exam questions 120 to 125.

Notice

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